

# FEELING THE PINCH?



## A Spending Journal Can Help You Budget Tough Economic Times

With home values down and the cost of food and energy up, many Americans are feeling the pinch. If the rising cost of living has you strapped for cash, don't reach for that credit card! Instead, start using a spending journal to reduce your expenditures.

### Getting Started

All you need to start a spending journal is a notebook and a pencil. Or, if you prefer, a computer with spreadsheet or word-processing software. As the name *journal* implies, the intent is not just to track your spending, but also record the circumstances: why you made a particular purchase, perhaps, how you felt about it afterward.

It may take a while to get in the habit, but try to keep track of everything you spend, from large expenses that are automatically deducted from your bank account to small, everyday purchases. Seeing how the "little things" add up is one of the main benefits of the journal.

Whether you keep a simple chronological list or develop a powerful spreadsheet, you'll have valuable data after just one week, and really telling information after a month or so.

### Then What?

So you've kept track of expenses for a week or more. Now it's time to analyze your journal. Have a calculator handy, and be ready to think outside the box!

The conclusions you draw from your journal will be unique to you, because it's not just about learning that you spend \$27 a week on BLT sandwiches. It's about learning you spend \$27 a week on BLT sandwiches and deciding whether it's worth it to you and, if not, coming up with alternatives that can save you money.

With that said, here are a few tips and examples that may help with your analysis:

- » Add up like expenses. Are there any totals that take you by surprise, such as the cost of bridge tolls or the amount you spend on "inexpensive" meals out? Think about what you could do to cut down on those expenses. For example, could you save money on tolls by carpooling? Pack a lunch three or four days a week?
- » Look for patterns. Do you spend more on groceries when you're hungry? Make impulse purchases just because you have cash in your pocket? Once you identify patterns like this, the solutions may be simple! (Have a satisfying snack before you head out to the grocery store, and just say no when the cashier offers you cash back!)

- » Get creative. Horrified that you spent \$100 a week on gas? There are countless ways to reduce that expense, from walking or biking when you're not going far to taking the bus or driving more slowly on the freeway.
- » Add perspective. In some cases, you may have jotted down how elated you felt when you bought that new thingamajig. But now, a week or two later, is it shoved in the dark recesses of some closet? If you find you're buying a lot of "stuff" that just ends up gathering dust, learn to think twice before you buy. (When in doubt, put the item back on the shelf and walk away for at least 10 minutes.)

Keeping a spending journal is easy, and it empowers you to come up with creative solutions that take your unique priorities into account. So get started today!

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